

No. 19-16

IN THE
Supreme Court of the United States

ALLEN E. PEITHMAN, JR., *et al.*,
Petitioners,

v.

UNITED STATES,
Respondent.

**On Petition for a Writ of Certiorari to the
United States Court of Appeals for the Eighth Circuit**

**BRIEF FOR THE CATO INSTITUTE
AS AMICUS CURIAE
IN SUPPORT OF PETITIONERS**

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QUESTION PRESENTED

Does the federal criminal-conspiracy statute authorize asset forfeiture to be imposed jointly and severally among co-conspirators, as the Sixth and Eighth Circuits have held, or is such joint and several liability foreclosed by *Honeycutt v. United States*, 137 S. Ct. 1626 (2017), as the Third Circuit has held?

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INTEREST OF *AMICUS CURIAE*

The Cato Institute is a nonpartisan public-policy research foundation established in 1977 and dedicated to advancing the principles of individual liberty, free markets, and free government.* The Cato Institute's Project on Criminal Justice was founded in 1999, and focuses on the proper role of the criminal sanction in a free society, the scope of substantive criminal liability, the proper and effective role of police in their communities, the protection of constitutional and statutory safeguards for criminal suspects and defendants, citizen participation in the criminal justice system, and accountability for law enforcement officers.

The Cato Institute is concerned that joint and several criminal forfeiture imposes unjust punishment on defendants disproportionate to their culpability. Joint and several forfeiture creates perverse incentives for law enforcement without regard for the devastating consequences that affect countless individuals, families, and communities. And it violates fundamental constitutional principles of individual and individualized punishment.

* Pursuant to Supreme Court Rule 37.6, counsel for *amicus curiae* state that no counsel for a party authored this brief in whole or in part, and no person, other than *amicus curiae* or its counsel, made a monetary contribution intended to fund its preparation or submission. All parties were timely notified and consented in writing to the filing of this brief.

**STATEMENT AND
SUMMARY OF ARGUMENT**

Federal criminal forfeiture is a new phenomenon in the United States, and the imposition of joint and several forfeiture liability has no roots in longstanding American law. But since 1970, the use of criminal forfeiture has exploded and is now a nationwide problem. Prosecutors are abusing criminal forfeiture laws to rake in billions of dollars without regard for the disproportionality of these punishments or the devastating consequences for those affected. To make matters worse, some federal courts, including the Eighth Circuit below, have read the most broadly applicable federal criminal-forfeiture statute to permit joint and several liability. In other words, one member of a criminal conspiracy—no matter how insignificant his or her role—can be on the hook for the profits of the entire enterprise. That reading is at odds with the text and structure of the statute, as well as this Court’s precedent, and it is irreconcilable with basic constitutional principles of fairness and proportionality in criminal sentencing. This Court’s intervention is necessary to reaffirm these fundamental principles and to prevent further abuse of the federal criminal-forfeiture laws.

Before 1970, criminal forfeiture was essentially unknown in the United States. The First Congress statutorily “abolished forfeiture of estate as a punishment for felons.” *Austin v. United States*, 509 U.S. 602, 613 (1993) (citing Act of Apr. 30, 1790, ch. 9, § 24, 1 Stat. 117). And for 200 years, forfeiture proceedings were brought as civil actions against the property involved in crime, relying on the fiction that “the property itself is ‘guilty’ of the offense.” *Id.* at 613-17; see *United States v. Bajakajian*, 524 U.S. 321, 332 (1988). Those *in rem* actions resulted in the forfeiture of

specific “guilty property”—for example, a vessel used to smuggle goods or an illicit distillery—but did not impose any criminal sanction on the individual who committed the offense, much less one that authorized the criminal forfeiture of lawfully obtained legitimate assets. *See Austin*, 509 U.S. at 613-17.

In 1970, Congress for the first time authorized criminal forfeiture by making forfeiture a penalty for certain violations of the drug laws and the Racketeer Influenced and Corrupt Organization Act (RICO), Pub. L. No. 91-452, 84 Stat. 922 (codified at 18 U.S.C. §§ 1961-1968). *See Bajakajian*, 524 U.S. at 332 n.7. Unlike a civil forfeiture, those criminal forfeitures were “an aspect of punishment imposed following conviction of a substantive criminal offense.” *Libretti v. United States*, 516 U.S. 29, 39 (1995). Whereas civil forfeitures are *in rem* proceedings directed at specific property, criminal forfeitures are *in personam* and impose personal liability on the convicted defendant. *Bajakajian*, 524 U.S. at 332.

In 1986, Congress expanded existing criminal forfeiture statutes in the Department of Justice Assets Forfeiture Fund Amendments Act of 1986, Pub. L. No. 99-570, Tit. I, § 1366(a), 100 Stat. 3207-35. That provision, codified at 18 U.S.C. § 981, provides that any person convicted of certain crimes shall forfeit to the United States, among other things, “[a]ny property, real or personal, which constitutes or is derived from proceeds traceable to a violation” of any one of numerous federal criminal statutes. The forfeiture of proceeds reflects another departure from traditional forfeiture law, which had until the late 1970s been limited to “contraband and the instrumentalities of crime.” Stefan D. Cassella, *Asset Forfeiture Law in the United States* § 25-4(a), at 900 (2d ed. 2013). In the decades since it enacted RICO’s forfeiture provision,

Congress has authorized the forfeiture of proceeds as a penalty for hundreds of other crimes. *See, e.g.*, 18 U.S.C. § 982(a); *see also* 28 U.S.C. § 2461(c) (authorizing criminal forfeiture for any offense for which civil forfeiture is authorized).

The importance of this Court’s guidance in this arena is hard to overstate. The statute at issue here, 18 U.S.C. § 981(a)(1)(C), applies to some of the most commonly charged crimes, including mail fraud, wire fraud, and drug conspiracy. It thus sweeps in tens of thousands of criminal convictions each year. And the impact of this case will go beyond even the massive scope of § 981. Federal law now includes numerous forfeiture statutes, many of which include language similar or identical to the “property traceable to proceeds” language at issue here.

The Eighth Circuit below plainly misapplied the statute and this Court’s precedents. By its own text and structure, § 981 does not permit joint and several liability. That is made only clearer by the Court’s recent holding in *Honeycutt v. United States*, 137 S. Ct. 1626 (2017), which rejected joint and several liability under a similar federal forfeiture provision. The Court should grant this case and reaffirm the presumption announced in *Honeycutt* that Congress does not intend forfeiture statutes to provide for joint and several liability unless it says so expressly.

Basic principles of criminal law reinforce *Honeycutt*’s application here. Joint and several liability is the atom bomb of tort remedies, making every defendant liable for the entire wrong. That may make sense in tort, but joint and several liability is an exceedingly poor fit for criminal liability, defying basic principles of proportionality in criminal sentencing—principles Congress has repeatedly endorsed (through, for example, the Sentencing Commission) and reflected in the

Excessive Fines and Due Process Clauses. Joint and several liability, moreover, undermines both the punitive and remedial purposes of criminal forfeiture by potentially exempting individuals who *actually* received the proceeds of a crime from forfeiting those proceeds while potentially collecting the entire forfeiture from individuals who received nothing from the crime.

Finally, the Court should take up this question now. The government’s empty assurances that it will stop violating the statute (most of the time) are cold comfort. The Court is here presented with a case where the government has decided to seek joint and several liability—contrary to the statute’s text and this Court’s precedent. It should settle this question once and for all.

ARGUMENT

I. **The Continued Prosecutorial Expansion and Abuse of Forfeiture Statutes Warrants This Court’s Attention**

A. **Forfeiture abuse is a rampant nationwide problem, even among federal prosecutors.**

“[F]orfeiture has in recent decades become widespread and highly profitable,” which “has led to egregious and well-chronicled abuses.” *Leonard v. Texas*, 137 S. Ct. 847, 848 (2017) (Thomas, J., respecting denial of certiorari). These abuses are a predictable outcome whenever the government’s coercive power is coupled with an incentive to use that power for monetary gain.

And the amount of money at stake is truly staggering. From 2007 to 2016, the Justice Department seized more than \$20 billion of forfeited property. U.S. Dep’t of Justice, *10-yr Summary of Financial Report Data 2* (2017), <http://bit.ly/2IE8RSF>. Between

1986 and 2014, federal forfeiture skyrocketed 4,667%. Dick M. Carpenter II et al., Institute for Justice, *Policing for Profit: The Abuse of Civil Asset Forfeiture* 5 (2d ed. 2015). In 2017 alone, of the \$1.27 billion the Department of Justice received through asset forfeiture, \$847 million, or 66%, came through criminal forfeiture. U.S. Dep't of Justice, *United States Attorneys' Annual Statistical Report* 64 (2018), <https://www.justice.gov/usao/page/file/1081801/download>.

Today millions of people nationwide face debilitating financial burdens from civil and criminal fines, fees, and forfeitures. As of 2017, 10 million people owed more than \$50 billion in criminal fines, fees, and forfeitures alone. Karin D. Martin et al., *Shackled to Debt: Criminal Justice Financial Obligations and the Barriers to Re-Entry They Create* 5 (2017), <https://www.ncjrs.gov/pdffiles1/nij/249976.pdf>. Forfeitures and fines wreak havoc on Americans living in poverty in particular by taking key assets from those who can least afford to lose them. *See id.* at 14.

B. Prosecutors and courts continue to levy disproportionately punitive fines without regard to their consequences.

Joint and several criminal forfeiture is often hugely disproportionate to the underlying offense because it has no connection to an individual's specific conduct. That results in cases where a low-level courier or a driver is on the hook for the proceeds of an entire criminal enterprise—without any regard to individual culpability. Just a small sampling of cases demonstrates how far some prosecutors are willing to take things in the absence of a rule restricting joint and several criminal forfeiture:

- *United States v. Wolford*, 656 F. App'x 59, 66-67 (6th Cir. 2016): Court held that young high-school dropout was jointly and severally liable for full

\$269,700 proceeds of drug conspiracy alongside conspiracy's principal, a convicted felon who was ten years her senior and the father of her child. See Def.'s Sentencing Mem. at 1-2, *United States v. Wolford*, No. 13-cr-22 (E.D. Ky. Jan. 28, 2015), ECF No. 267.

- *United States v. Benevento*, 663 F. Supp. 1115, 1117 (S.D.N.Y. 1987), *aff'd*, 836 F.2d 129 (2d Cir. 1988): Defendant was subject to forfeiture of entire forfeitable amount of \$1,238,000, where evidence showed that he had paid at least \$738,000 to co-conspirators.
- *United States v. Cano-Flores*, 796 F.3d 83, 90 (D.C. Cir. 2015): District court held defendant jointly and severally liable for \$15 billion forfeiture reflecting the gross take of an entire Mexican drug cartel employing "tens of thousands of people." Presaging *Honeycutt*, the court of appeals reversed on the basis that § 853 does not permit joint and several liability. *Id.* at 93-95.
- *United States v. Levesque*, 546 F.3d 78, 80 (1st Cir. 2008): A unemployed single mother who acted as a drug runner for a marijuana conspiracy, earning only \$37,284, was subjected to a \$3 million judgment for the full amount of the gross proceeds obtained by all the conspirators. The court of appeals vacated and remanded for the district court to consider whether the forfeiture "effectively would deprive the defendant of [her] livelihood" in violation of the Excessive Fines Clause. *Id.* at 84.

C. Forfeitures create perverse incentives that make it particularly important that courts carefully police their scope.

Incentives matter, and government officials are not immune from this basic economic principle. By

letting those responsible for seizing property keep the assets and benefit from the proceeds, Congress injected a powerful new incentive for federal law enforcement to seize private property from Americans. *See United States v. James Daniel Good Real Prop.*, 510 U.S. 43, 56 & n.2 (1993). Once agencies are given the opportunity to benefit directly from the assets they seize, they acquire a strong incentive to view more of the property they encounter as “suspicious” or otherwise subject to forfeiture.

The enactment of criminal forfeiture laws, and the profit motive underlying them, also affects how laws are enforced. For example, researchers have found that enforcement of drug laws is far higher in communities where state law allows police to retain the assets they seize. *See Brent D. Mast et al., Entrepreneurial Police and Drug Enforcement Policy*, 104 *Pub. Choice* 285, 285 (2000). “Legislation permitting police to keep a portion of seized assets raises drug arrests as a portion of total arrests by about 20 percent and drug arrest rates by about 18 percent.” *Id.* at 301, 303. That is true even when controlling for the level of drug use in a community. *Id.* at 285.

In the plea-bargaining context, the threat of joint and several forfeiture can put extra pressure on criminal defendants to plead guilty. This is particularly problematic given the ubiquity of plea bargaining. As this Court has explained, plea bargaining “is not some adjunct to the criminal justice system, it is the criminal justice system.” *Missouri v. Frye*, 566 U.S. 134, 144 (2012) (citation omitted). Approximately 95% of all criminal cases result in guilty pleas. *Padilla v. Kentucky*, 559 U.S. 356, 372 (2010).

II. The Massive Sweep of § 981(a)(1)(C) Makes It Essential That the Court Intervene To Correct Its Application

Section 981(a)(1)(C) is “[t]he closest Congress has come to enacting one, all-powerful forfeiture statute,” authorizing prosecutors to seek forfeitures for “over 200 different state and federal crimes.” Stefan D. Cassella, *Overview of Asset Forfeiture Law in the United States*, 17 S. Afr. J. Crim. Just. 347, 350 (2004); *see also* 18 U.S.C. § 1956(c)(7) (listing crimes to which § 981(a)(1)(C) applies)

The list of crimes covered by § 981(a)(1)(C) includes some of the broadest and most frequently prosecuted federal crimes, including mail fraud, 18 U.S.C. § 1341, wire fraud, *id.* § 1343, and drug conspiracies, *id.* § 1956(c)(7)(C). As a result, § 981(a)(1)(C) applies to the vast majority of crimes the federal government charges each year, including, in one snapshot, the vast majority of the 8,269 fraud charges and 22,872 drug trafficking charges it brought in 2014. *See* Bureau of Justice Statistics (BJS), AOUSC Criminal Master Data File (on file with BJS). For example, that year, the government prosecuted 789 people for mail and wire fraud, both of which are subject to criminal forfeiture under § 981. *Id.*

And joint and several criminal forfeiture is not limited to § 981. Federal law now includes numerous forfeiture statutes, *see* Charles Doyle, Cong. Research Serv., *Crime and Forfeiture* 82-94 (2015) (listing scores of statutory sections), many of which include key language similar or identical to the “property traceable to proceeds” language at issue here and in *Honeycutt v. United States*, 137 S. Ct. 1626 (2017). *See, e.g.*, 7 U.S.C. § 2024(f)(2); 18 U.S.C. § 1594(e)(1)(B); 18 U.S.C. § 2428(b)(1)(B).

This case thus offers a crucial opportunity to clarify not just the application of § 981(a)(1)(C) but also several other forfeiture statutes in the U.S. Code. Lower courts' continued confusion about the scope of *Honeycutt* shows that this intervention is necessary to prevent courts and prosecutors from continuing to presume that generic forfeiture statutes authorize joint and several liability.

III. The Decision Below Is Wrong

A. The language and structure of § 981(a)(1)(C) precludes the imposition of joint and several liability.

Section 981(a)(1)(C) provides for the forfeiture of property “derived from proceeds traceable to a violation” of the statute. The most natural reading of these words is that each individual is liable only for a forfeiture of the amount *that* individual “derived from” the crime.

The structure of the statute shows this to be true. Section 981 works just like § 853(a)(1)—the provision at issue in *Honeycutt*, 137 S. Ct. 1626—and even directly incorporates (or uses identical language to) the provisions that the Court found dispositive in that case. In particular, § 981 incorporates § 853(e)(1) and (p) wholesale. *See* 28 U.S.C. § 2461(c) (procedural provisions of § 853 “apply to all stages of a criminal forfeiture proceeding” under § 981); *United States v. Soto*, 915 F.3d 675, 680 (9th Cir. 2019) (“Section 853(p) is a procedural provision, so § 2461(c) makes it applicable [under other forfeiture statutes].”). Section § 853(e)(1) authorizes pretrial freezes on forfeitable property only if the government proves that the property “has the requisite connection to that crime.” *Honeycutt*, 137 S. Ct. at 1633. And § 853(p) permits the government to “confiscate property untainted by the crime” as a substitute for tainted assets—but only in certain specified

circumstances. *Id.* at 1633-34. This Court concluded that § 853(p)'s "carefully constructed statutory scheme" for substitution of untainted property "lays to rest any doubt that the statute permits joint and several liability." *Id.* at 1633. So too here.

B. Joint and several liability is a tort-law concept that makes no sense in the context of criminal forfeiture.

1. Joint and several liability is a tort law concept that exists to relieve a plaintiff of the burden of litigating to determine who among multiple jointly liable tortfeasors bears ultimate responsibility for a tort. Its purposes are (1) to ensure full compensation to the victim, and (2) to relieve the victim of the need to go through the costly effort of tracing and apportioning responsibility. *See* Restatement (Third) of Torts: Apportionment Liab. § A18 (2000) (Restatement 3d); Prosser & Keeton § 52, at 347 ("Where two or more causes combine to produce such a single result, incapable of any reasonable division, each may be a substantial factor in bringing about the loss, and if so, each is charged with all of it.")

Tort aims "to give compensation, indemnity or restitution for harms." Restatement (Second) of Torts § 901 (1979). One barrier to such relief is that some defendants may be insolvent or unreachable. Joint and several liability reflects the judgment that this risk "should fall on a partially guilty defendant than on a completely innocent victim." *United States v. Cano-Flores*, 796 F.3d 83, 95 (D.C. Cir. 2015); *see* Restatement 3d § 10, cmt. a ("[A]s between innocent plaintiffs and culpable defendants the latter should bear th[e] risk" of "insolvency.").

Joint and several liability is sensible in tort, where the victim's goal is to achieve full compensation, and the law prioritizes compensating

victims even at the cost of some unfairness to tortfeasors. But forfeiture law is *not* indifferent to the source of payment. Its remedial goals require forfeiting the tainted property *itself*—because only that can assure that the property does not again become a tool of crime, and that the person who received it does not “profit from ... illegal acts.” *United States v. Ursery*, 518 U.S. 267, 290-91 (1996). And forfeiture’s punitive goals require punishing the person who actually received tainted property, rather than a different person who did not. Moreover, jointly and severally liable tortfeasors routinely bring actions against one another for contribution to ensure that ultimate responsibility is apportioned fairly among them. But in the criminal context, there is no analogous path for jointly and severally liable criminal defendants to bring actions for contribution.

2. The purposes of criminal forfeiture are to ensure that crime-tainted property will not again “be used for illegal purposes,” *Ursery*, 518 U.S. at 290, to prevent criminals from “profit[ing] from their illegal acts,” *id.* at 291, and to “lessen the economic power of criminal enterprises,” *Kaley v. United States*, 571 U.S. 320, 323 (2014) (cleaned up). Joint and several liability undermines all of those goals.

With joint and several liability, the drug kingpin who receives money or property from drug crimes can keep it, to again “be used for illegal purposes”—so long as his underlings are prosecuted first. *Ursery*, 518 U.S. at 290. When these underlings are jointly and severally liable for the kingpin’s proceeds, every untainted dollar they forfeit is a dollar that the kingpin gets to keep as “profit from ... illegal acts.” *Id.* at 291. In that way joint and several liability will often mean that “crime does ... pay.” *Kaley*, 571 U.S. at 323. And the kingpin then can reuse the illicit property or

reinvest the proceeds into his empire, by hiring more couriers, digging more tunnels, and so on—all because joint and several liability frustrated forfeiture’s goal to “lessen the economic power of criminal enterprises.” *Id.* (cleaned up).

Moreover, forfeiture has always been “understood, at least in part, as imposing punishment.” *Austin*, 509 U.S. at 610. But perversely, by making forfeiture joint and several, the punishment the government levies against one defendant reduces the punishment of another. *See, e.g., United States v. Solomon*, No. 13-cr-40, 2016 WL 6435138, at *13 (E.D. Ky. Oct. 31, 2016) (“[J]oint-and-several liability will create accidental martyrs: By serving his punishment, one defendant serves—or at least reduces—the punishment of the rest.”); *United States v. Black*, 526 F. Supp. 2d 870, 890 (N.D. Ill. 2007); *see also* Restatement 3d § 25(b). That is inconsistent with how criminal punishment works in every other context.

C. Joint and several liability for criminal forfeitures raises serious constitutional concerns.

Joint and several liability violates a core tenet at the heart of the Eighth Amendment and Due Process Clauses: Punishment must be individual and individualized. *See, e.g., Gall v. United States*, 552 U.S. 38, 50 (2007) (sentencing courts “make an individualized assessment based on the facts presented”); *see also Tison v. Arizona*, 481 U.S. 137, 149 (1987) (“The heart of the retribution rationale is that a criminal sentence must be directly related to the personal culpability of the criminal offender.”). It would be deeply wrong, and plainly unconstitutional, for a court to impose a joint and several *prison sentence*—allowing any conspirator to serve prison time, so long as one did. Joint and several forfeiture liability is indistinguishable.

In view of these constitutional principles, Congress has made clear that one of the paramount goals of criminal sentencing is proportionality, that is, the imposition of “appropriately different sentences for criminal conduct of different severity.” *Molina-Martinez v. United States*, 136 S. Ct. 1338, 1342 (2016) (cleaned up). *In personam* forfeiture judgments are part of a criminal defendant’s sentence, *Libretti*, 516 U.S. at 38-39, and therefore should be imposed in a manner that “achieve[s] the ‘proportionality’ goal of treating ... major drug traffickers and low-level dealers ... differently,” *Dorsey v. United States*, 567 U.S. 260, 268 (2012). Joint and several liability frustrates that objective, by treating every member of a drug conspiracy as if he were a kingpin who reaped all of the proceeds from the conspiracy—no matter how far removed from any profits he was.

By expanding the scope of forfeiture to require disgorgement of property *obtained by someone else*, joint and several liability presents new and challenging questions about Eighth Amendment proportionality. On its face, a court order to disgorge property obtained by another looks like a quintessential violation of the Eighth Amendment and Due Process Clauses, because it effectively punishes an individual for the crime of another. At minimum, it is likely to be frequently “grossly disproportionate.” *Bajakajian*, 524 U.S. at 326; *see Levesque*, 546 F.3d at 84.

Joint and several liability also leaves the discretion of whom to punish, and how much to punish them, entirely in the hands of the State following conviction. That sort of extrajudicial sentencing discretion is also inconsistent with longstanding criminal law precepts.

IV. The Court Should Decide This Question Now

Honeycutt should have put to rest the question whether the government could seek and obtain joint and several forfeitures, but these cases continue to appear throughout the federal courts. The Court should revisit the question in the context of § 981(a)(1)(C) to make clear that *Honeycutt* meant what it said.

The government's decision not to enforce § 981(a)(1)(C) to the fullest possible extent is no reason to decline to take this case. Any future administration—or even this administration—could reverse DOJ's current enforcement policy at any time. Indeed, the government's assurances are particularly cold comfort as it continues to seek joint and several forfeitures even under the statute at issue in *Honeycutt*. According to the Justice Department, this Court in *Honeycutt* apparently left open an exception that permits joint and several liability where the defendant played more than “an incidental role in the conspiracy.” Letter Motion for Forfeiture at 5, *United States v. Loera*, No. 09-cr-0466 (E.D.N.Y. July 5, 2019), <http://bit.ly/30TbhWV>. Given the incentives that forfeiture statutes create for prosecutors, they may well dream up more *Honeycutt* exceptions. This Court's intervention is urgently warranted to remove any doubt that joint and several liability is foreclosed by *Honeycutt*.

Until this Court answers the question presented, an individual can never be certain that she is protected against the adverse consequences that would result from application of the challenged statute—uncertainty that is especially pernicious at the plea-bargaining stage, where the vast majority of prosecutions end. The Court should grant certiorari now to conclusively reject joint and several forfeitures under § 981(a)(1)(C).

CONCLUSION

The Court should grant certiorari.

Respectfully submitted,

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